Gase 2:07-cv-02534-ABC-JC Document 96 Filed 03/24/2008 Page 1 of 16 1 MANATT, PHELPS & PHILLIPS, LLP ROBERT H. PLATT (Bar No. CA 108533) rplatt@manatt.com 2 MARK S. LEE (Bar No. CA 094103) 3 mlee@manatt.com DONALD R. BROWN (Bar No. CA 156548) 4 dbrown@manatt.com 11355 West Olympic Boulevard Los Angeles, CA 90064-1614 Telephone: (310) 312-4000 5 6 Facsimile: (310) 312-4224 7 Attorneys for *Plaintiff* TICKETMASTER L.L.C. 8 9 UNITED STATES DISTRICT COURT CENTRAL DISTRICT OF CALIFORNIA 10 11 12 TICKETMASTER L.L.C., a Virginia Case No. CJ 07-2534 ABC(JWJx) limited liability company, 13 Hon. Jeffrey W. Johnson Plaintiff. JOINT STATEMENT REGARDING 14 PLAINTIFF'S MOTION FOR PROTECTIVE ORDER; VS. 15 **DECLARATIONS OF KEVIN** RMG TECHNOLOGIES, INC., a Delaware corporation, and DOES 1 16 MCLAIN, RAAQIM KNIGHT. CIPRIANO GARIBAY, AND DAVID through 10, inclusive, 17 **TARLOW** Defendants. 18 Hearing Date: April 17, 2008 Hearing Time: 2:00 p.m. Courtroom C, 8th Fl, 19 Location: Spring St. 20 Pre-Trial Conf.: September 15, 2008 21 Trial Date: October 1, 2008 Discovery Cut-Off: May 23, 2008 22 23 24 25 26 27 28 MANATT, PHELPS & JOINT STATEMENT RE PLAINTIFF'S PHILLIPS, LLP 41217286.1 ATTORNEYS AT LAW MOTION FOR PROTECTIVE ORDER LOS ANGELES

JOINT DISCOVERY STIPULATION

This Joint Stipulation is submitted by the undersigned parties pursuant to Local Rules 37-2 and 37-2.1 in connection with the motion by plaintiff Ticketmaster L.L.C. for a protective order. In accordance with Local Rule 37-1, the parties have met and conferred to resolve this dispute but were unable to do so.

I. INTRODUCTORY STATEMENTS

A. <u>Plaintiff Ticketmaster's Introductory Statement.</u>

Plaintiff Ticketmaster L.L.C. ("Ticketmaster") seeks a protective order to restrict the disclosure of information and documents containing trade secrets, proprietary, confidential commercial or business information, or other confidential or private information within the scope of Rule 26(c) of the Federal Rule of Civil Procedure ("FRCP"). Defendant RMG Technologies Inc. ("RMG") has declined to enter into any protective order on any terms, delaying production of needed documents and requiring Ticketmaster to bring this motion.

1. Background.

Ticketmaster distributes tickets for live entertainment events to the public on behalf of venues, promoters, entertainers and sports franchises through, among other means, its "www.ticketmaster.com" website. Ticketmaster alleges that RMG has marketed and sold an application that enables its customers to use automated devices to navigate through and bypass Ticketmaster's website security to procure large quantities of tickets in violation of the Ticketmaster website's terms of use. Ticketmaster has also alleged that RMG marketed and sold applications that enable RMG's customers using automated devices to conceal such use from Ticketmaster.

2. RMG's Discovery.

RMG has propounded discovery requests that seek, among other things, information and documents relating to Ticketmaster's security efforts to prevent and restrict the unauthorized use of its site – including efforts to deter the

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use of automated devices – confidential communications and agreements with Ticketmaster's clients, confidential and sensitive financial information, and proprietary information regarding Ticketmaster's various copyrights.

3. Ticketmaster's Proposed Protective Order.

In an effort to facilitate discovery, Ticketmaster proposed a joint stipulated protective order that would restrict the disclosure and use of confidential documents and information. (Declaration of Raaqim Knight ("Knight Decl."), Ex. 2.) The proposed protective order contains two levels of protection: "Confidential" and "Sensitive Confidential," the primary difference being that the latter category would allow opposing counsel, but not the opposing party itself, to view designated documents and information. A two-level protective order that includes a category with heightened confidentiality protections is appropriate because, not only is some of the material at issue, such as website code, highly sensitive and clearly within the definition of a trade secret, but the whole reason for this lawsuit is that RMG has illegally infiltrated Ticketmaster's website. Thus, Ticketmaster is justifiably concerned about restricting access by RMG to certain information that could be misused by RMG.

4. RMG's Refusal To Agree To Any Protective Order.

RMG has categorically refused to stipulate to any protective order. RMG's intransigence on this point is particularly puzzling, considering that RMG itself has objected to discovery requests from Ticketmaster on the grounds that the information and documents requested are allegedly confidential. Thus, RMG as well as Ticketmaster would benefit from entry of a protective order.

Entry of a protective order in this case is appropriate under FRCP 26(c)(1). Not only is the material for which Ticketmaster is seeking protection confidential under California law, but the disclosure of this material without a protective order in place would be harmful to Ticketmaster. Moreover, RMG has no legitimate need for Ticketmaster's confidential material other than for

the purpose of this litigation; thus restricting the use and disclosure of confidential information in this lawsuit would not prejudice RMG in any way.

Therefore, Ticketmaster moves for entry of a protective order, and to that end has submitted a proposed protective order concurrently with this motion. This Court has already entered a stipulated protective order in a related action—*Ticketmaster L.L.C. v. Designer Tickets & Tours, Inc.*, No. CV 07-1092 ABC (JCx)—that is almost identical to the protective order proposed here by Ticketmaster.

B. Defendant RMG's Introductory Statement

RMG is a small company of five (5) employees based out of Pittsburgh, Pennsylvania. RMG has created, marketed, sold and provided technical support a product called a Ticket Broker Acquisition Tool ("TBAT"). All other products sold by RMG are simply support for TBAT.

The TBAT browser was created to purchase tickets on a variety of websites, including, but not limited to tickets.com, evenue.net, ticketmaster.com, FIFA soccer ticket websites and websites run by specific venues which do not sell tickets through Ticketmaster. RMG denies the allegations in this case that TBAT is capable of operating faster than a human. Moreover, RMG denies that TBAT is an automated device that solves the CAPTCHA screen on ticketmaster.com. TBAT requires human typists working in India and Nepal to solve the CAPTCHA screen.

On October 15, 2007, a preliminary injunction was issued against RMG. Shortly thereafter, Ticketmaster brought an ex parte application against RMG, requesting RMG's most confidential of information, including, but not limited to the source code for TBAT. RMG, specifically stated that RMG would be amenable to turning this information over to the attorneys for Ticketmaster, so long as a protective order was stipulated to or ordered, preventing Ticketmaster's own employees from having access to RMG's confidential information, because RMG feared that said information would be disseminated to the public. RMG also feared

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that Ticketmaster was attempting to purchase businesses that operate in the secondary market, and would use TBAT's source code for its own purposes. In January, RMG's fear was realized when Ticketmaster acquired TicketsNow.com, and became the second largest player in the secondary market.

Ticketmaster refused to enter into a protective order. They claimed that if RMG's confidential information was only reviewed by independent parties, it would take weeks to determine what the information meant, while its employees would be able to analyze the information much quicker.

On November 9, 2007, the court granted the ex parte application, and did not grant a protective order. It merely required that RMG's materials may be disclosed only to Ticketmaster's information technology and legal personnel, and outside legal staff, experts and consultants for litigation purposes and to maintain the security of Ticketmaster's website. RMG turned over the court ordered documents to Ticketmaster, and Ticketmaster has access to RMG's most confidential and proprietary of information, including the source code for TBAT.

Now Ticketmaster would like to enter into a stipulated protective order whereby, they propose to designate information as sensitive confidential information, which means that said designated information would not be permitted to be viewed by the opposing party. Ticketmaster's proposed protective order will not protect RMG's confidential information because Ticketmaster has already been given unfettered access to RMG's source code. Under Ticketmaster's proposed protective order, RMG's employees would not have access to critical information needed to defend RMG. RMG is a small company that can not afford to hire a third party expert to review Ticketmaster's technical information, because Ticketmaster is such a large company, hosting a very popular website, where the source code and technical data is likely to be very extensive and voluminous. Thus, the only way RMG can feasibly defend itself is by having access to all of Ticketmaster's allegedly confidential data for full review, which it believes would be much more

efficient than any outside expert or consultant.

Further it is inherently unfair that Ticketmaster now seeks greater protection for its own technical information than it was willing to allow for RMG. This is justified by Ticketmaster by claiming that RMG would be able to use said information to further infringe upon Ticketmaster -- a claim that has not been proven.

Since, a small company like RMG can not afford to pay an outside expert for all of the man hours it would take to analyze Ticketmaster's allegedly "sensitive confidential" information for the purpose of properly defending itself and disproving Ticketmaster's allegations against it, RMG does not agree to Ticketmaster's proposed protective order.

RMG however, is willing to enter into a protective order on the same terms as that of the court's November 9, 2007 order. Thus all documents marked as "confidential" by either party may be disclosed only to the opposing party's information technology personnel, outside legal counsel, staff, experts and consultants, and will be solely used for litigation purposes.

II. STATEMENTS OF RELEVANT FACTS AND LAW

A. Plaintiff Ticketmaster's Statement of Relevant Facts and Law

The gravamen of Ticketmaster's First Amended Complaint is that RMG has designed, manufactured and distributed automated devices and related applications that enable RMG's customers to bypass security measures on Ticketmaster's website and purchase large quantities of tickets, in violation of the Ticketmaster website's terms of use, and to the detriment of legitimate consumers who are deprived, due to the use of these devices, of the opportunity to procure such tickets through Ticketmaster. Ticketmaster asserts claims against RMG under the Digital Millennium Copyright Act (17 U.S.C. § 1201), the Computer Fraud and Abuse Act (18 U.S.C. § 1030), and California Penal Code section 502.

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Ticketmaster also asserts claims for intentional interference with contractual relations, inducing breach of contract, civil RICO conspiracy, copyright infringement and fraud.

Each party has propounded discovery requests, and each party has objected to discovery requests based on confidentiality concerns. Therefore, Ticketmaster drafted and sent to RMG a proposed stipulated protective order. (Knight Decl. ¶¶ 3 & 4.) Ticketmaster sent an initial draft of the proposed order on January 25, 2008, and then, on February 4, 2008, sent a superseding draft that contained minor revisions. (*Id.*, Exs. 2 & 3.)

The proposed protective order contemplates two levels of protection: Confidential Information and Sensitive Confidential Information. (*Id.*, Ex. 1.) The stricter of the two, Sensitive Confidential Information, is reserved for information, which if disclosed, would be "inherently harmful to the Designating Party's business." Under the proposed protective order, Sensitive Confidential Information could be disclosed to the opposing party's counsel, experts, the Court and its personnel, professional vendors in the litigation and witnesses under certain circumstances, but not to opposing party itself. Confidential Information, by contrast, could be disclosed to parties as well as to the other persons described above. (*Id.*, Ex. 1.)

Despite more than a month to review and comment on the proposed protective order, RMG provided no response at all. Then, during the mandatory meeting of counsel on March 5, 2008, RMG categorically rejected the notion of a protective order, explaining simply that the principals of RMG do not wish to cooperate with Ticketmaster. (Knight Decl. ¶ 5.) During this meeting, Ticketmaster explained why a protective order was necessary, but the parties were still unable to reach a compromise. (*Id.*)

1. A Protective Order is Warranted Under FRCP 26(c)(1).

The FRCP allows a party to move for a protective order to prevent disclosure of trade secrets or to impose restrictions on such disclosure. FRCP 26(c)(1) provides in pertinent part:

A party or any person from whom discovery is sought may move for a protective order ***:

- (E) designating the persons who may be present while the discovery is conducted;
- (F) requiring that a deposition be sealed and opened only on court order; and
- (G) requiring that a trade secret or other confidential research, development, or commercial information not be revealed or be revealed only in a specified way¹

To obtain protection under FRCP 26(c)(1)(G), Ticketmaster must show that the information for which it seeks protection is confidential under California law, and that unrestricted disclosure of such information may harm Ticketmaster. *American Standard, Inc. v. Pfizer, Inc.*, 828 F.2d 734, 740 (Fed. Cir. 1987). If Ticketmaster meets this initial burden, RMG must then establish that disclosure (or the manner of disclosure) of Ticketmaster's confidential information is both relevant *and* necessary to its case. *American Standard*, 828 F.2d at 741; *Hartley Pen Co. v. United States Dist. Court for the S. Dist. of California*, 287 F.2d 324, 331 (9th Cir. 1961). For example, a party seeking discovery of confidential

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While subsection G of FRCP 26(c)(1) is the primary basis for seeking a protective order, Ticketmaster also seeks protection under subsection E ("designating the persons who may be present while the discovery is conducted") and F ("requiring that a deposition be sealed and opened only on court order").

sales information must establish that the information is reasonably necessary for a fair opportunity to develop and prepare the case for trial. *American Standard*, 828 F.2d at 743.

If RMG meets its burden of establishing relevance and need for the discovery, the Court must then weigh the injury that disclosure might cause to the disclosing party against the other party's need for the information. *In re Remington Arms Co.*, 952 F.2d 1029, 1032 (8th Cir. 1991); *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1470 (9th Cir. 1992) (protective order entered to preclude the defendant's in-house counsel from viewing the defendant's computer source codes, development plans, and beta test information because of in-house counsel's non-legal responsibilities as an employee of the plaintiff).

2. Ticketmaster's Confidential Material Constitutes a Trade Secret Under California Law.

A "trade secret" is defined in California as:

[I]nformation, including a formula, pattern, compilation, program, device, method, technique, or process that:

- (1) Derives independent economic value, actual or potential from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and
- (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Cal. Civ. Code § 3426.1(d).

RMG seeks information that includes, among other things, Ticketmaster's website security technologies, copyrighted website material, confidential business correspondence and agreements with clients, proprietary

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information regarding Ticketmaster's rate setting and internal business decisions, and financial records. "Confidential business information has long been recognized as property." Remington, 952 F.2d at 1032 (quoting Carpenter v. United States, 484 U.S. 19, 26 (1987)). These materials fall meet the definition of "trade secret" under California law, because the information is not generally known, is subject to reasonable efforts to maintain its secrecy, and RMG would obtain economic value from the disclosure and use of such information. Indeed, the whole reason for this lawsuit is that RMG has developed a product that illegally infiltrates Ticketmaster's website.

Reasonable efforts to keep trade secrets and other confidential information secret include limiting access to the information on a "need to know basis," requiring those having access to such materials to sign confidentiality agreements, and keeping secret documents under lock. Religions Technology Center, 923 F. Supp. at 1253-54; Lee Shuknecht & Sons, Inc. v. P. Vigneri & Sons, Inc., 927 F. Supp. 610, 611 (W.D.N.Y. 1996) (steps to preserve confidentiality of onion harvester containing trade secrets included maintaining the harvester in a locked building with the windows boarded over to prevent observation). The mere signing of a confidentiality agreement and agreeing not to use the material for anyone else, with nothing more, is sufficient to prove that the material is the subject of efforts to maintain its secrecy. See Am. Standard, 828 F. Supp. at 740.

Ticketmaster maintains its confidential material under "lock and key" or on securely password protected computers. (Declaration of Kevin McLain ("McLain Decl.") ¶ 3.) Access to this material is restricted to employees and outside counsel on a need to know basis, subject to strict confidentiality agreements. (Id. \P 4.) All employees must sign an agreement stating that, upon termination of their employment, the employee shall maintain all of Ticketmaster's proprietary information and documents in confidence and not to use or disclose such information outside the scope of the employment with Ticketmaster. (*Id.*)

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Further, many of Ticketmaster's contracts with clients and other third parties require Ticketmaster to maintain the contract and related information confidential. (Id. ¶ 5.) In short, Ticketmaster has taken all steps necessary to maintain the material in question as confidential, such that the material qualifies as a trade secret under California law. Religions Technology Center, 923 F. Supp. at 1253-54.

Ticketmaster's confidential material also has economic value, meaning that it has sufficient value in Ticketmaster's operation that it provides actual or potential advantage over others who do not possess the information. See Religions Technology Center, 923 F. Supp. at 1253. This material includes financial information, website security technologies, copyrighted website material and confidential business correspondence and agreements with clients and customers. This type of information would have economic value to Ticketmaster's competitors, as well as any software developers who, like RMG, seeks to develop applications that are designed to infiltrate Ticketmasters' website, and to any ticket broker who may seek to exploit such technology to improperly procure large quantities of tickets.

In sum, Ticketmaster's confidential material has substantial economic value and is maintained in complete secrecy, thus constituting a trade secret within the scope of FRCP 26(c)(1)(G).

In any event, Further, FRCP 26(c)(1)(G) "does not limit its reach to 'trade secrets,' but also allows for protection of 'confidential [] information." See Nutratech, Inc. v. Syntech (SSPF) Intern., Inc., 242 F.R.D. 552, 555 (C.D. Cal. 2007). Thus, to the extent, if any, that Ticketmaster's confidential material does not qualify as a trade secret, this material would still be entitled to protection as "confidential research, development, or commercial information" within FRCP 26(c)(1)(G).

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3. Heightened Protection for Sensitive Confidential Information Is Appropriate.

It is well-established that, under certain circumstances, information can be entitled to a heightened level of protection (often referred to as an attorneyseyes-only level of protection). William W. Schwarzer, A. Wallace Tashima & James M. Wagstaffe, *California Practice Guide, Federal Civil Procedure Before Trial*, ch. 11(III)-C, ¶ 11:1115, at 11-119 (2007) (citing *Safe Flight Instrument Corp. v. Sundstrand Data Control Inc.* (D.Del. 1988) 682 F.Supp. 20, 22.)

Such heightened protection is appropriate here. Ticketmaster's website is one of the most-visited sites on the web; thus, code and other information regarding the operation of the website is extremely valuable. (McLain Decl. ¶ 6.) Indeed, the genesis of this lawsuit is that RMG developed and marketed a product that enables its customers to bypass the steps that legitimate consumers must go through to purchase tickets through the website.

Among the materials requested by RMG in discovery is sensitive computer code and other technology secrets that RMG might be tempted to use, to the detriment of Ticketmaster. Information and documents relating to Ticketmaster's security efforts to prevent and restrict the unauthorized use of its site are similarly subject to a high risk of misuse by RMG. The proprietary information regarding Ticketmaster's various copyrights that would be encompassed by RMG's requests is another example of information for which heightened protection is necessary. Indeed, considering the past conduct of RMG that is at issue in this lawsuit, there is a good reason to believe that RMG would misuse such information if allowed access to the information.

Therefore, there is good cause for entry of a two-tiered protective order that would enable Ticketmaster to designate certain information as Sensitive Confidential, and thus restrict RMG itself from access to the information.

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Disclosure of Ticketmaster's Confidential Material Outside 4. the Scope of the Proposed Protective Order Would Harm

Ticketmaster would be harmed if its confidential material were disclosed to persons and under circumstances outside the scope of the proposed protective order. For example, Ticketmaster takes extraordinary measures in an attempt to prevent misuse of its website through, among other means, illegal automated devices. (McLain Decl. ¶ 7.) Abuse of the website causes loss of goodwill and jeopardizes Ticketmaster's longstanding business contracts with various venues, artists and clients. (*Id.*)

If Ticketmaster's confidential information were disclosed outside the scope of the proposed protective order, other software developers, brokers and/or RMG itself might use such material in an effort to illegally circumvent Ticketmaster's security measures and abuse the website. (Id. \P 8.) This not only harms Ticketmaster, but it also harms legitimate consumers who are deprived of the opportunity to compete on a level playing field for the purchase of tickets. addition, disclosure of sensitive financial and business information, such as confidential communications and agreements with clients, could cause competitive harm to Ticketmaster. Further, unrestricted disclosure of proprietary information relating to Ticketmaster's website-related copyrights could harm Ticketmaster. Software developers, ticket brokers or RMG itself could use this information to devise new and improved methods to improperly access Ticketmaster's website and enhance their operations at Ticketmaster's expense. (*Id.*)

5. The Balance of Hardships Tips in Ticketmaster's Favor.

RMG has no need to disclose or use Ticketmaster's confidential material outside the context of this litigation. Nevertheless, RMG still refuses to stipulate to a protective order.

Ticketmaster would be hurt, both financially and competitively, if its confidential information were disclosed outside the context of this litigation, or if

LOS ANGELES

its highly confidential information were disclosed to RMG itself. RMG might use such material in an effort to illegally circumvent Ticketmaster's security measures and abuse the website or to devise new and improved methods to improperly access Ticketmaster's website and enhance their operations at Ticketmaster's expense.

Ticketmaster's disclosure of Confidential Materials Thus. Defendant should be protected in the manner contemplated in Ticketmaster's version of the protective order.

B. **Defendant RMG's Statement of Facts and Law**

"The law of the case doctrine is a judicial invention designed to aid in the efficient operation of court affairs. Under the doctrine, a court is generally precluded from reconsidering an issue previously decided by the same court, or a higher court in the identical case." U.S. v. Lummi Indian Tribe, (2000) 235 F.3d 443.

In this matter, the Court has already refused to issue a protective order to protect a RMG's "confidential" information, instead ordering that any information which is turned over and deemed "confidential" can only be used by Ticketmaster for litigation purposes, and may only be disclosed to the Ticketmaster's information technology and legal personnel and outside legal counsel, staff, experts, and consultants for litigation purposes.

It is respectfully submitted that the order of the court should be deemed law of the case. RMG is amenable to a protective order in this matter which allows information which is turned over and marked "confidential" only be used by the opposing party for litigation purposes, and may only be disclosed to the opposing party's information technology and legal personnel and outside legal counsel, staff, experts, and consultants for litigation purposes.

Moreover, if Ticketmaster obtains the two-tiered protective order that it wishes, then RMG will be put in a position whereby it cannot defend itself

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outside expert to analyze the large amount of data that will most likely be provided.

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CONCLUSIONS III.

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Plaintiff Ticketmaster's Conclusion Α.

A two-tier protective order proposed by Ticketmaster is warranted because of the highly confidential nature of information that has been requested by RMG. Ticketmaster respectfully asks this Court to adopt Ticketmaster's proposed protective order which allows for the good faith designation of confidential material as "Confidential Information" or "Sensitive Confidential Material." The disclosure of "Confidential Information" should be limited to parties, counsel, witnesses, experts, Court personnel, and professional vendors to this litigation. designation of "Sensitive Confidential Information" should additionally restrict parties' and witnesses' access, under certain circumstances, to this information. A proposed protective order is attached to the Knight Decl. as Exhibit 1.

against Ticketmaster's claims because it does not have the resources to hire an

В. **Defendant RMG's Conclusion**

RMG is amenable to a protective order in this matter which allows information which is turned over and marked "confidential" only be used by the opposing party for litigation purposes, and may only be disclosed to the party's information technology and legal personnel and outside legal counsel, staff, experts, and consultants for litigation purposes.